



# Richard Cluver Predicts

In our 30th year of service to the investing public of South Africa



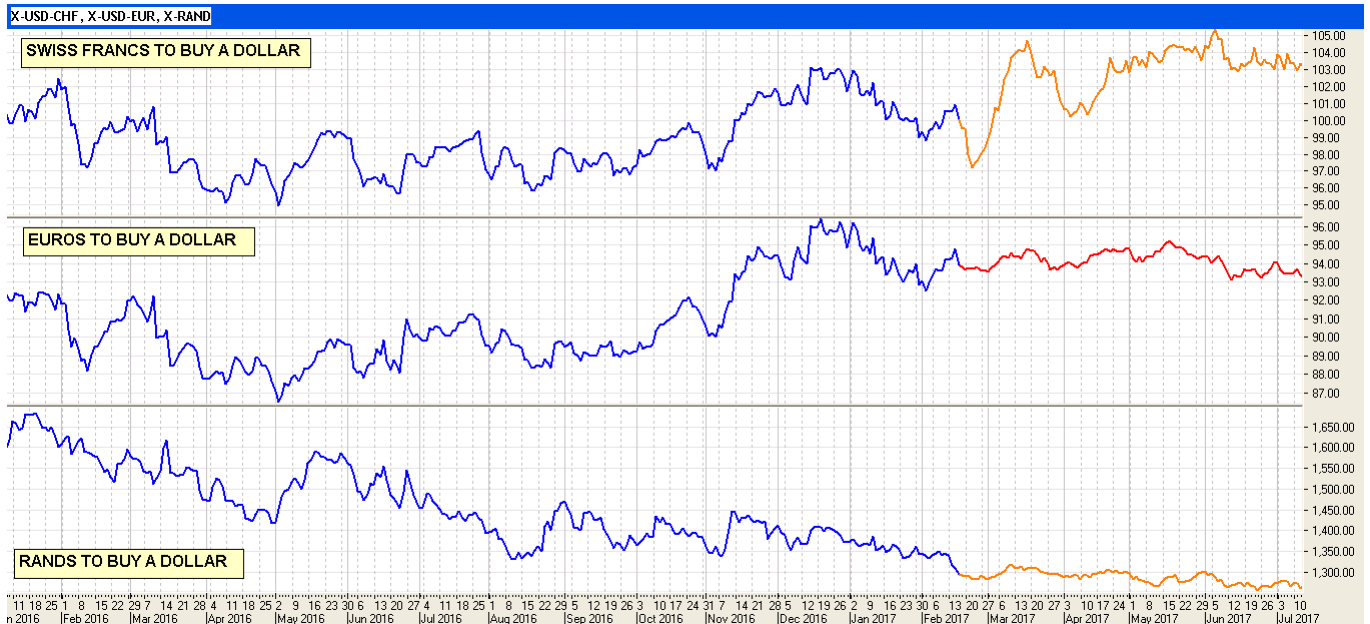
Volume: 30

17 February 2017

Issue: 7

The buzz in the marketplace is that a sharp share price downturn is just around the corner most probably sparked by an imminent US interest rate hike that has long been anticipated from the US Federal Reserve. Furthermore reserve Governor Janet Yellen has this week telegraphed that it is probable.

The next US hike could be as soon as next month, though many analysts are talking about a hike from May onwards. The US dollar has also been boosted by some strong data this week which would also support the case for higher rates. So note in my graph composite that since mid December the US Dollar has been weakening relative to the Swiss Franc, the Euro and the Rand. And in fact the Rand has been strengthening against the Dollar since January last year when the rate was R16.79 to the Dollar compared with a present R12.92 with ShareFinder projecting that it will continue strengthening to a high of R12.55 by June.

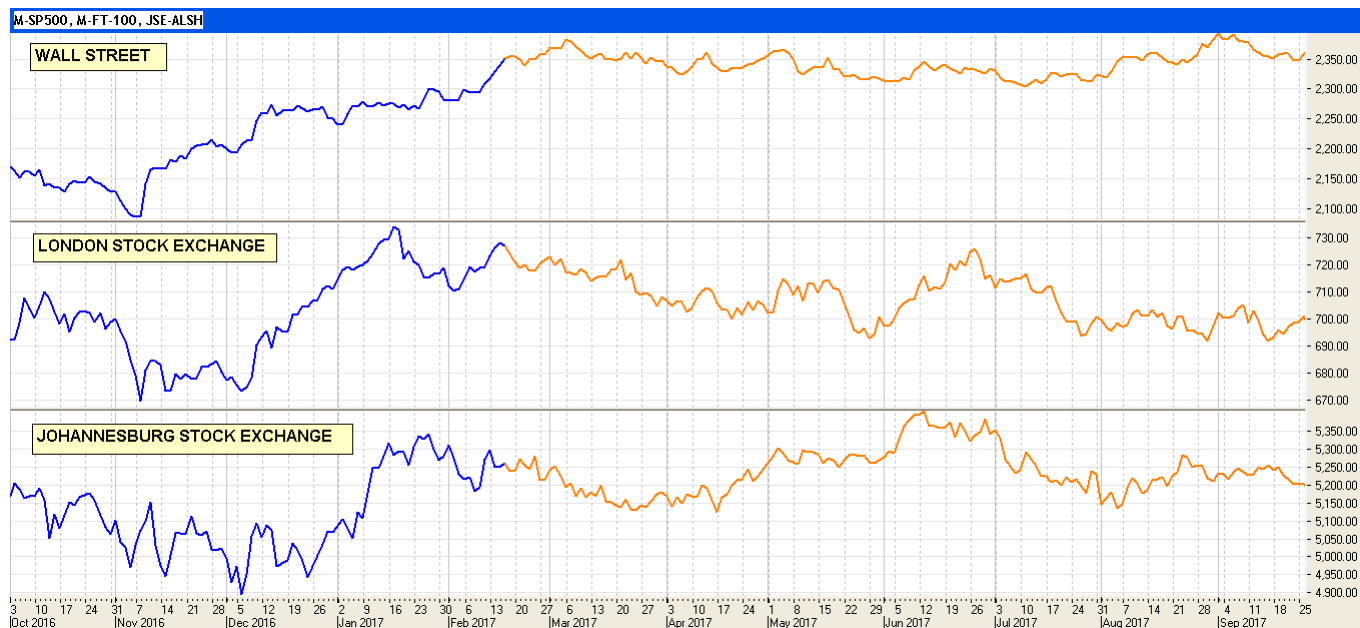


Importantly, however, do note the red trace of ShareFinder’s projections which suggest that the Dollar is likely to gain significantly against the Swiss Franc in the next few weeks though considerably less against the Euro and the Rand.

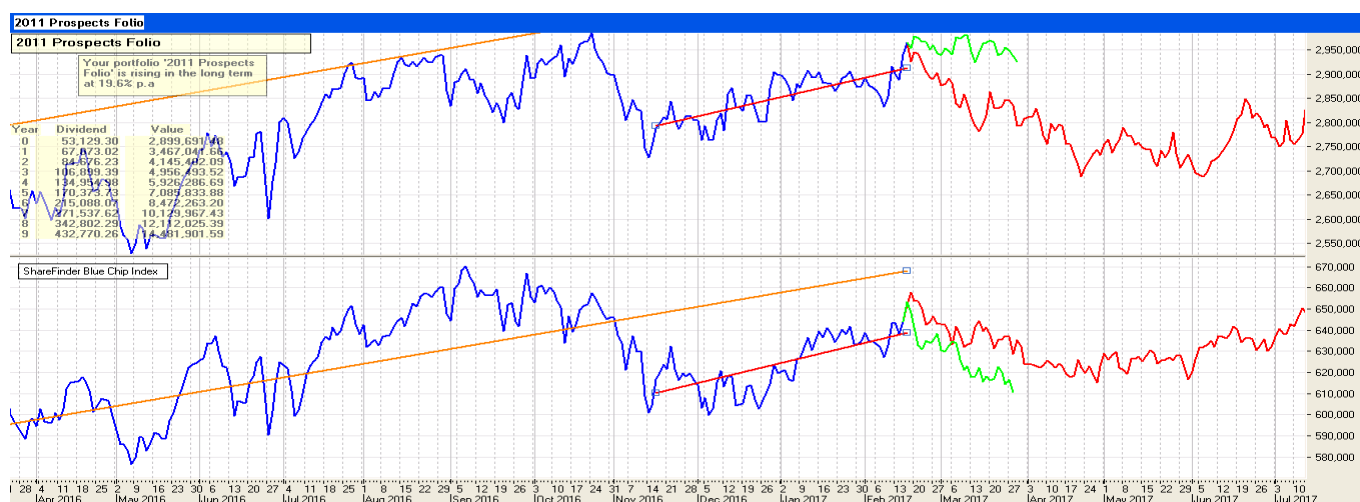
The reason for the expectation is that an increased Fed interest rate will make US bonds more attractive and have a reciprocal effect upon the prices of US shares whose dividend yields yield will have to rise to maintain their relationship with the bond market. And, in the absence of significant corporate profit increases, the only way the average dividend yield can rise is via a share price decline.

“Richard Cluver Predicts”

So please note that major stock exchanges have been rising strongly since early November, in the case of Wall Street, and since early December in the case of London and the JSE with the latter two peaking in late January and beginning to head down since January 25 in the case of the JSE.



ShareFinder's projection suggests Wall Street will peak on March 6 and thereafter head downwards gradually to reach a low point in early July while London is expected to continue on down until mid-September as the Brexit issue continues to weigh heavily upon sentiment there. There is deep pessimism in Britain and, more pointedly in Europe, because it is becoming increasingly certain that with the rise of popularism in politics in this election year there, it is likely that France, Belgium, Holland and possibly even Germany could follow Britain's lead. The likelihood is thus that even if the European Union can survive this series of events, it will be a radically changed union. And with such uncertainty, markets will inevitably take a severely cautious stance.



Turning to the Prospects Portfolio which these past weeks has been gaining steadily in strength along with the ShareFinder Blue Chips as is clear in the graph composite above, readers should note that the continued strength of these latter at a time when the JSE All Share Index is weakening is completely in line with what has been happening lately: that in anticipation of

"Richard Cluver Predicts"

Published by Richard Cluver Investment Services

17 February 2017

<http://www.rcis.co.za>

Page 2 ©2017 RCIS

[richard@rcis.co.za](mailto:richard@rcis.co.za)

market weakness, investors have been moving their money towards quality. But not even the Blue Chips can withstand such pessimism and so ShareFinder projects that the Prospects Portfolio will start losing value today or Monday and the Blue Chips will follow from Monday, both heading down until late April. By late May or early June, a double bottom should then signal that consolidation is occurring ahead of gains in the second half of this year by which time, hopefully, the ANC might have some clarity on its succession debate and be able to focus on the reason it was elected in the first place; to lead South Africa.....though most of us have probably given up hope that it will ever get its priorities right!

### **The next month:**

**New York's SP500:** I correctly predicted the start of a brief recovery. But that is now probably over and it should be down until mid-week when another brief recovery is likely.

**London's Footsie:** I wrongly saw a continuing decline. Now I foresee gains until early March when the next downward trend is likely.

**JSE Industrial Index:** I correctly predicted a brief recovery until the 17<sup>th</sup> followed by another downward trend which should start today and continue in whip-saw fashion well into March.

**Top 40 Index:** I correctly predicted the end of the recovery with the next brief recovery due from the 22<sup>nd</sup>. However, it is unlikely to last longer than the first week of March.

**The ShareFinder Blue Chip Index:** I correctly predicted a brief up-tick until mid-week. Now I see a down trend until mid to late March.

**Golds:** I wrongly expected the up-tick to continue. Now I see a volatile downward trend until the end of the month with recovery for most of March.

**The Rand:** I correctly predicted an increasingly volatile period with the Rand continuing to gain until the 21<sup>st</sup> and I still see weakness from then on until mid-March.

***The Predicts accuracy rate on a running average basis over the past 617 weeks has been 84.11%. For the past 12 months it has been 92.14%.***

**Richard Cluver**